

# PASSIVE & LOW ENERGY CONSUMPTION PROPERTIES

## **Occupiers' perspective**

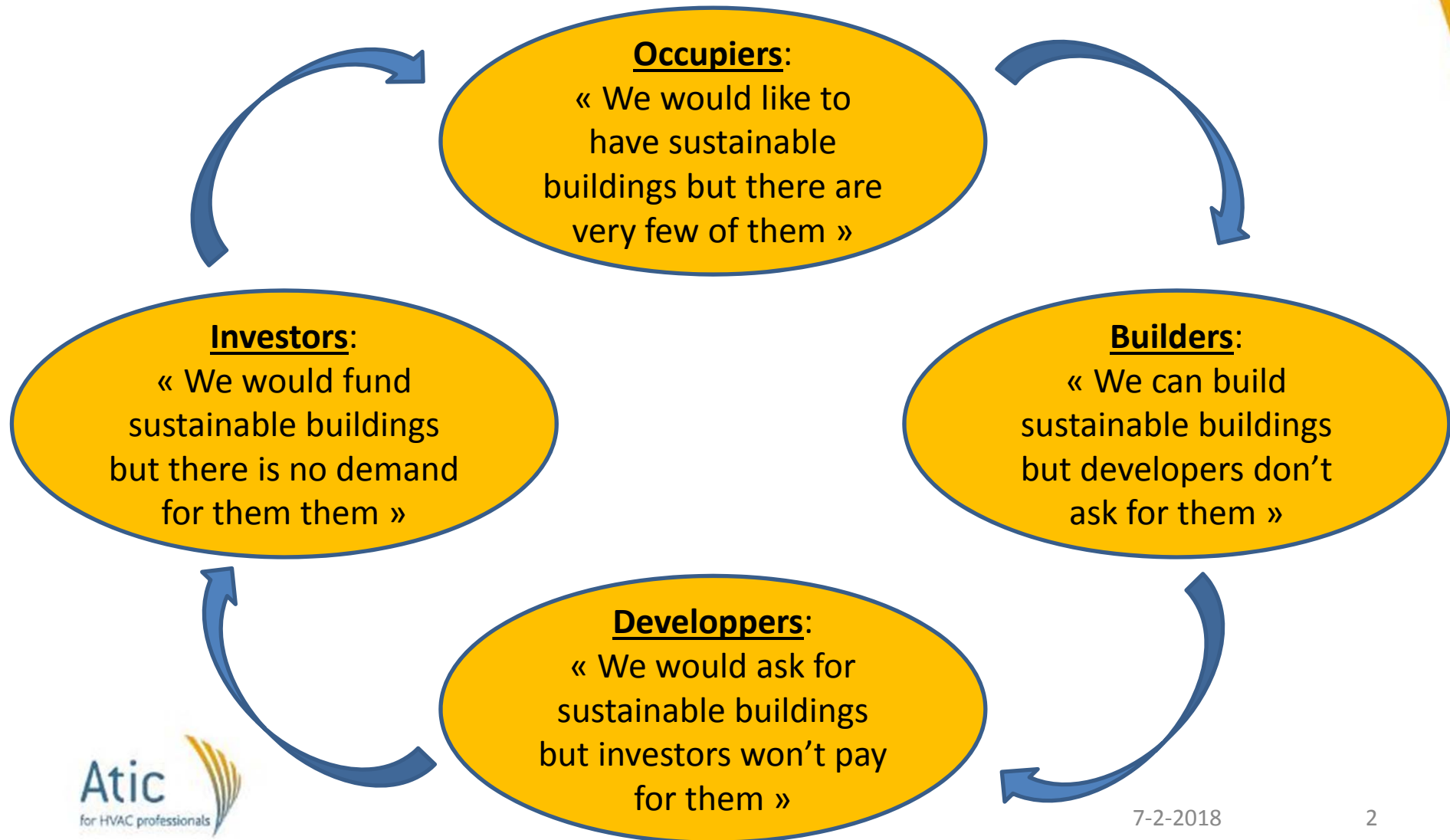
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# Circle of Blame



# How some occupiers still see passive buildings



# Track record

- The **regulation** requiring all new construction in Brussels to be passive is up and running since **2015**.
- Market did not wait for this to provide passive properties. In **2011**, according to Brussels Environnement/Milieu Brussel, there was **250.000sqm** of passive buildings in Brussels.

# Track record

- In terms of **office** buildings, prior to 2010, most of the first passive ones were **ordered** by their future **occupiers**.
- It generates sometimes **biased** impressions from those occupiers since we are often more **enthusiastic** about a property we own than a property we rent.

# Track record

- However since 2015 the quantity of passive office properties is of course **exploding**.
- It allow us to benefit of a larger panel of properties and “**panel**” is the right word.
- There are indeed many **different** levels of **comfort** to be expected from passive properties exactly like from non passive buildings.

# Track record

- The question as « what is the **feedback** from occupiers about passive buildings » is way too **broad**.
- We should ask:
  - What do they **like** in passive buildings?
  - What do they want to **avoid**?
  - Are passive buildings a **need** or a **nice-to-have**?

# What do they like?





# Finance

- Financial impact on charges?

(\*) show costs  
included into service  
charges



Office building - Average Maintenance and Management costs exd. VAT		Standard 15 years old office property
<b>PEOPLE AND GOODS</b>		<b>41,91 €</b>
Full time Receptionist (*)		3,80 €
Insurance (*)		1,84 €
Water common areas (*)		2,19 €
Water private areas		0,81 €
Energy consumption heating/cooling (*)		10,00 €
Electricity common areas (*)		12,80 €
Electricity private areas		8,74 €
Garbage (*)		1,04 €
Legal (*)		0,71 €
<b>TECHNICAL MAINTENANCE</b>		<b>16,96 €</b>
Air conditioning and Heating (*)		11,11 €
High & Low voltage electrical switchboards (*)		1,73 €
Bathrooms (*)		0,51 €
Lifts (*)		1,44 €
Fire detection (*)		1,09 €
Miscellaneous (*)		1,09 €

Average cost for a  
10,000sqm office  
property.

# Finance

GENERAL MAINTENANCE	19,43 €
Clearing office space	15,00 €
Clearing parking and windows(*)	2,76 €
Garden & paths(*)	0,69 €
Miscellaneous(*)	0,98 €
COMFORT & SECURITY	28,41 €
Security inspections at night & weekends	2,42 €
Disaster management (*)	0,98 €
Technical support help desk (7.30am-04.00pm)	2,01 €
24/7 on-site warden	23,00 €
Grand total - warden 24/7 excluded	83,70 €

(\*) show costs  
included into service  
charges

With an **average** rent in Brussels @ 170€/sqm and average taxes @ 50€/sqm it shows a total of circa **300€/sqm** per year all in from which circa 30€ are related to energy. Assuming an optimistic **50%** reduction in a passive new building it would mean **5% savings** on total annual cost.

# Finance

- A premium used to be asked in the rent for new passive office properties prior to 2015.
- Today every new Brussels property is passive. The premium is therefore entirely considered as being justified by the age of the property rather than their passive specifications.

# « Green » is the new black



Wal-Mart had for long a **poor image**. On top of badly behaving with their employees, critics were made on it low environmental performance.

The company significantly **improved** its image over the last years and real estate played a strong role.

# « Green » is the new black

Corenet has an inter-professional **committee** in charge of corporate social responsibility, diversity, charities, etc. EMEA group was initially **meeting** once per quarter, but in the light of the work load it is now meeting once a month.

Almost 40% of actions taken by the group are articulated around **real estate**.

# What do they want to avoid?



# What do they want to avoid?

One of the key point of **attention** is therefore:

Comfort

For most of the people **comfort** and energy **efficiency** seems to be two totally **separated** concepts almost impossible to meet at the same time. This is mainly due to the fact that:

Comfort is subjective

# What do they want to avoid?





# Need or Nice-to-have?

- Probably the key question:

Do occupiers really ask for this kind of properties or do they chose their properties for entirely other reasons?

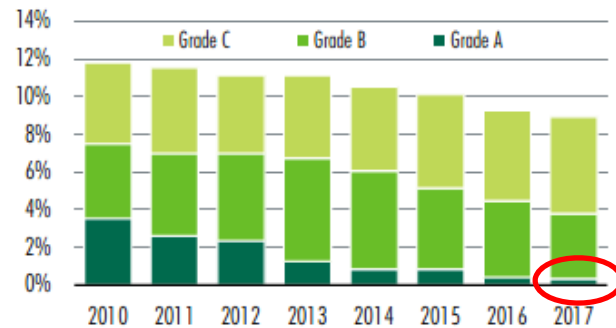
# Occupiers

- The most accurate way to **answer** this question is to take a look at request for proposals (**RFP**) issued for property search and the answer nuanced:
  - **Corporate**: no mention in the major RFP issued over the last 5 years of a requirement or even a demand for passive properties.
  - **Public**: nearly all RFP issued by public entities are requesting passive buildings ... except EU.

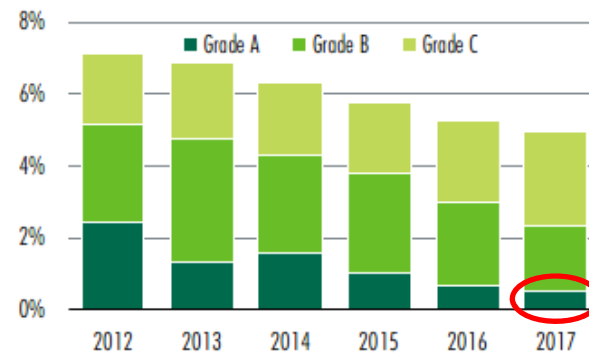
# Vacancy rate

CBD

Vacancy (2010-Q3 2017)



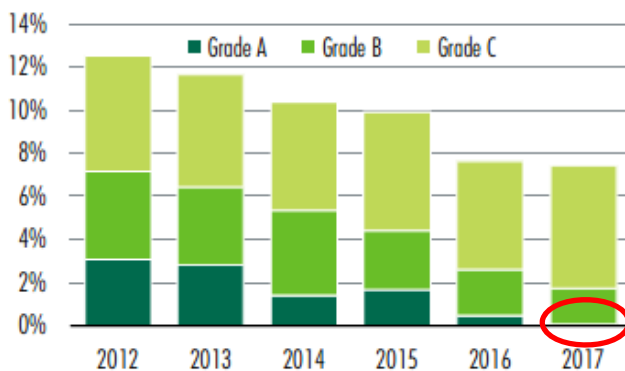
Vacancy rate (2012 - Q3 2017)



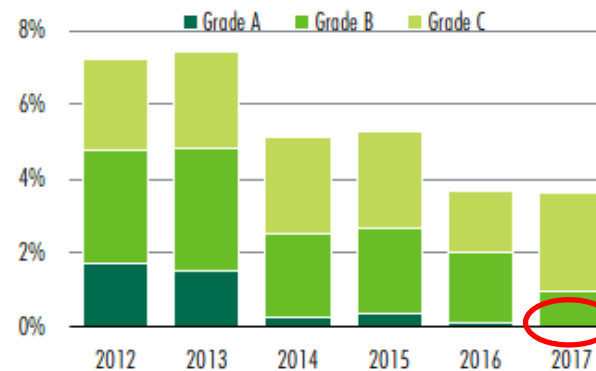
Leopold district

Louise district

Vacancy rate (2012-Q3 2017)



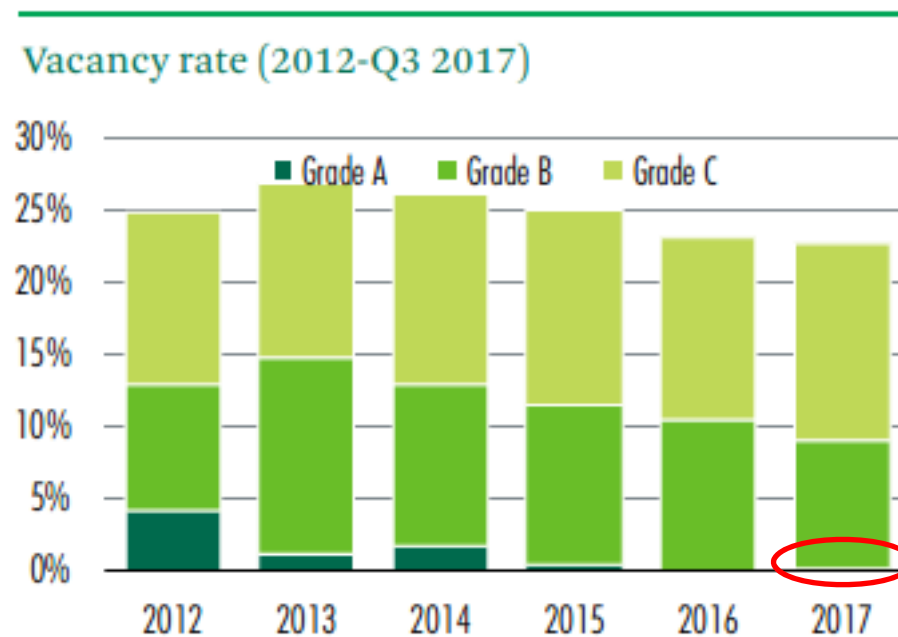
Vacancy rate (2012-Q3 2017)



North district

# Vacancy rate

## Periphery



# Conclusion

- Vicious **circle** of blame:
  - Thanks to Brussels regulation with regard to passive buildings this circle has now been **broken**.
  - However this speech is still available outside Brussels **borders**.
- Many occupiers still have **archaic** perception of passive buildings, many work still to do to change minds.

# Conclusion

- A high level of **comfort** is the main element that can ensure the “**buy in**” of passive office buildings from occupiers.
- So far very few track record but most of the **opposition** is using this argument so peculiar attention need to be brought to this subject.

# Conclusion

- Still not much **track record** with regard to use of passive office properties.
- This should change in the next 5 years while the first set of passive office buildings will start to see some **turnover** from their occupiers.
- It will also provide more information about how those properties are getting **older**.

# Conclusion

- Most of occupiers are underscoring that their main expectations are:
  - **Financial**: we have seen it plays a role but this last is so far marginal; and
  - **Image**: this one is probably more efficient but since 2015 every new property is passive so the recognition related to the “choice” of a passive building will probably disappear.
  - So far we see few **RFP** from corporate sector with such requirement.



# Conclusion

- Vacancy rate for new properties his historically low in Brussels.
- A logic conclusion would be to consider this as an impact of 2015 regulation.
- It probably played a role but when we consider Brussels periphery, where such regulation is not yet applicable, we observe similar vacancy rate amongst new properties.

# What if?



Doel



Tihange

# What if?

- Passive buildings implies airtightness and therefore mechanical ventilation.
- Energy production is today in the heart of political and security discussions.
- With regard to the current Doel & Thiange situation it is not absurd to consider we might encounter energy supply issues in a near future.

# What if?

- While apparently a power outage of one hour or two is not such an issue with regard to residential properties, consequences could be much more difficult to manage in a densely used office building.